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ABSTRACT

In 1993, 10.4 million people were classified as being among the working poor. Of those individuals living in poverty, 2.4 million worked year round at full-time jobs and 7.4 million lived in a household containing someone who was employed full time throughout the year. A U.S. Bureau of Labor Statistics report identified low earnings, involuntary part-time work, and unemployment as three key reasons for poverty. Another study established that the percentage of workers with low earnings rose from 12% of all year-round, full-time civilian workers aged 16 or over in 1979 to 16% in 1992. Among the identified causes of the rise were the following: steady erosion of wages in the United States, unemployment and underemployment, rise of low-wage service jobs and parallel decline in well-paying manufacturing jobs, restructuring of industry, and decline of pension and health insurance coverage. Although there is no panacea for poverty or the working poor, the following policy measures would make a big difference: strengthen labor laws, adopt national policies aimed at preserving high-wage manufacturing jobs, increase the minimum wage, retain existing employment and training and safety-net programs, retain a progressive tax policy, and fund education adequately. (MN)

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Report No. 84
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Working But Poor in America

Although they work, some 10 million Americans and their families are still in poverty. Work should pay and people should be able to stand on their own in society.

Something is wrong in a nation where there were 2.4 million who worked year round at full-time jobs but lived in poverty in 1993. About 7.4 million poor people lived in a household containing someone who was employed full time throughout the year, according to the Center on Budget and Policy Priorities.

It is unfair that people should work, but not be paid a living wage that would pull them out of poverty. At a time when the nation is wrestling with the question of reforming welfare and forging policies that bridge the gap between dependence and work, the fact is that, for millions, work does not allow them to provide a decent standard of living for their families.

Three key reasons for the poverty of the working poor come from a recent report of the U.S. Bureau of Labor Statistics (BLS):

1. Low earnings: Low-wage work with below-poverty earnings was the biggest single cause of poverty. Low wages, low earnings, and low income trap millions of American working men and women in a vicious cycle of poverty.

2. Involuntary part-time work: If you want a full-time job and a full-time paycheck, but you can only find part-time work, the odds are high that you will fall below the poverty line.

3. Unemployment: If you lose or can't find a job, if you suffer spells of unemployment, the odds are high that your total earnings and your total income are going to be low, and you will be in poverty.

40 Million In Poverty

In 1993 there were almost 40 million Americans living in poverty, the latest year for which there are official poverty figures. This was 15.1 percent of the total population in U.S. households.

Children make up a big part of the total poverty picture. There were 14.4 million children under the age of 16 who were living in poverty, almost one in four of all children.

More than half (56 percent) of the people in poverty are in working poor households.

The poverty lines in mid-1995 were as shown in the box nearby.

Poor people age 16 and over totaled 24.9 million in 1993. This Census poverty count includes the sick and disabled, the elderly poor, mothers with small children and other family responsibilities, young people still in school, and people in regular working ages up to 65 years.

10.4 Million In Census Count

The working poor numbered 10.4 million, according to the Census Bureau. These are people who had at least some work during the year.

It is not easy to relate personal earnings to poverty status because poverty for the individual depends on family income and family size. You could find a person earning the minimum wage who would not

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	POVERTY LINE	HOURLY EQUIVALENT (2,080 HRS)
1 - PERSON	$7,934	$3.81
2 - PERSON FAMILY	$10,267	$4.94
3 - PERSON FAMILY	$12,160	$5.85
4 - PERSON FAMILY	$15,580	$7.49

be "poor" if he or she lived alone—but would be poor as part of a family that depended entirely on that person's income.

A person earning the minimum wage would earn $8,840 in a year, compared with the poverty level of $7,934 for a one person family, but below the $15,580 poverty level for a family of four.

A fundamental problem in U.S. society is that work often doesn't pay enough to keep people out of poverty and supplements in money or in kind are necessary in order for people to make ends meet.

Many jobs in our society pay less than the $7.49 hourly wage cited above as the hourly equivalent of the poverty level for a family of four. Such jobs classified as retail trade by the Labor Department include the following:

	HOURLY WAGE
Variety store	$7.30
Retail bakeries	$7.29
Gasoline Service Stations	$6.92
Women' clothing	$6.99
Record and prerecorded tape stores	$6.34
Eating and Drinking Places	$5.57

The Working Poor include the following, according to the Center on Budget and Policy Priorities:

20 percent of food-stamp recipients are from working poor households.

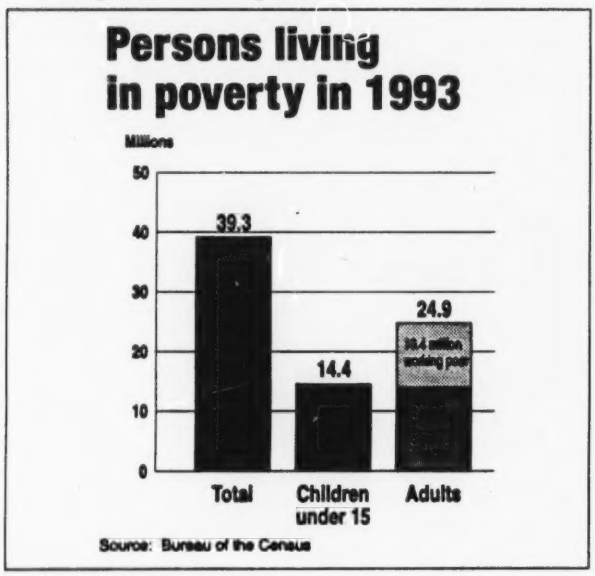
43 percent of children on Medicaid are from working poor families.

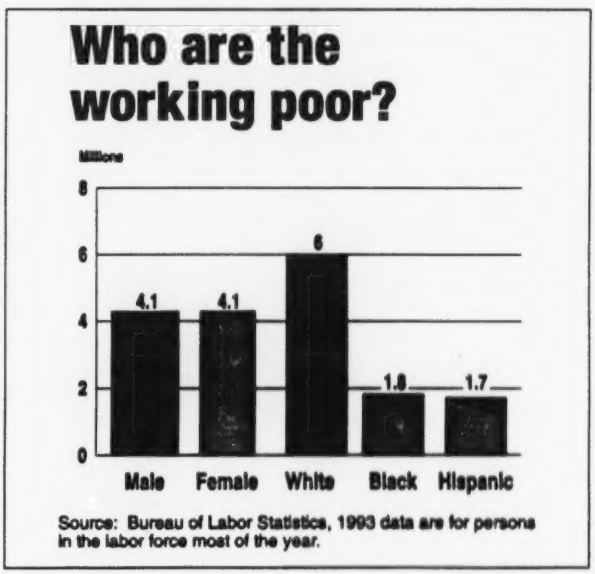
About one in five homeless people have jobs and others who are homeless have worked sometimes, according to the U.S. Department of Housing and Urban Development.

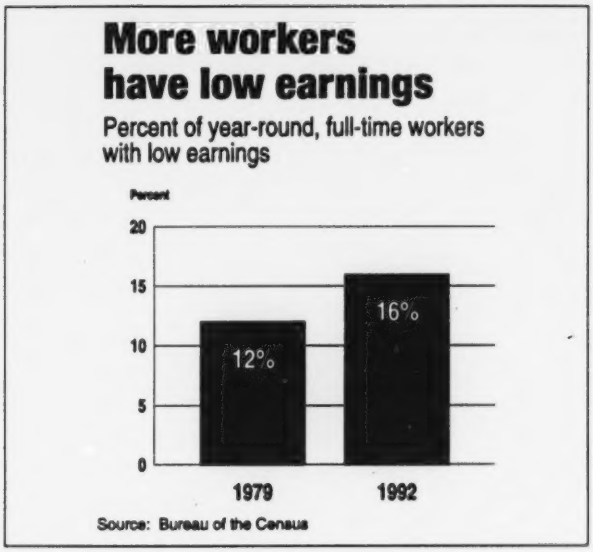
8.2 Million Workers In BLS Count

A recent Bureau of Labor Statistics report on the working poor focuses on a more narrowly defined group, but provides more detail than the Census Bureau does.

The BLS count on the working poor came out to 8.2 million. The "working poor" were defined as persons who have devoted 27 weeks or more to working or looking for work and who lived in families with incomes below the official poverty thresholds.







Who Are The Working Poor?

About 6 million of the 8.2 million working poor (73 percent) are white. There are about an equal number of males and females, 4.1 million each. Black and Hispanic working poor are about equal in number, 1.7 - 1.8 million.

Although whites represented the bulk of working poor in 1993, blacks and Hispanics had higher poverty rates for persons in the labor force most of the year. The black poverty rate was 13.9 percent and the Hispanic rate 16 percent.

More Workers Have Low Earnings

Workers with low earnings represented 12 percent of all year-round, full-time civilian workers aged 16 and over in 1979. That proportion had risen to 16 percent in 1992, according to the Census Bureau, which uses a technical definition of low earnings that results in a threshold slightly lower than the official poverty rate.

Increases in the number of working poor and the worsening poverty rates are due in large measure to the steady erosion of wages in the U.S.

Unemployment and underemployment are factors. In July, 1995, for example, there were 7.6 million unemployed, 1.6 million who had unsuccessfully searched for work and 4.4 million working part-time but wanted full-time jobs for a total of 13.6 million affected.

The rise of low wage service jobs has paralleled the decline in well-paying manufacturing jobs and the loss of jobs due to trade. The U.S. has lost about 1 million well-paying manufacturing and mining jobs since mid-1990.

There has been a big increase in contingent work, including part-time and temporary often without decent benefits.

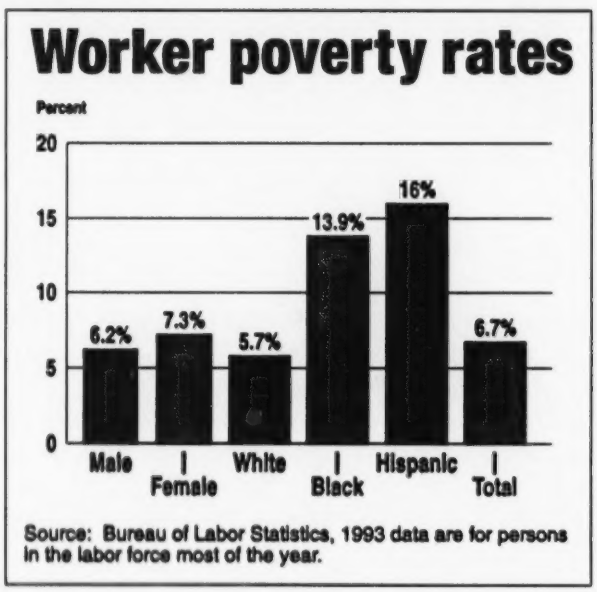
The restructuring of industry results in the displacement of about 1.5 million full-time workers each year. About three out of four of such workers end up with lower wages or are otherwise worse off due to the displacement.

Low wage workers (defined as those at the 10th percentile with 90 percent paid more) saw their real wages fall by 13 percent between 1979 and 1993, according to the Center on Budget and Policy Priorities. While median workers suffered a smaller decline, high wage workers saw their pay increase 5 percent over that time, in dollars adjusted for inflation.

Pension coverage and health insurance also has fallen for low-income workers. For example, pension coverage of the lowest fifth of wage earners in the private sector fell from 18 percent to around 13 percent between 1979 and 1989. Health insurance coverage fell from 40 percent to 26 percent.

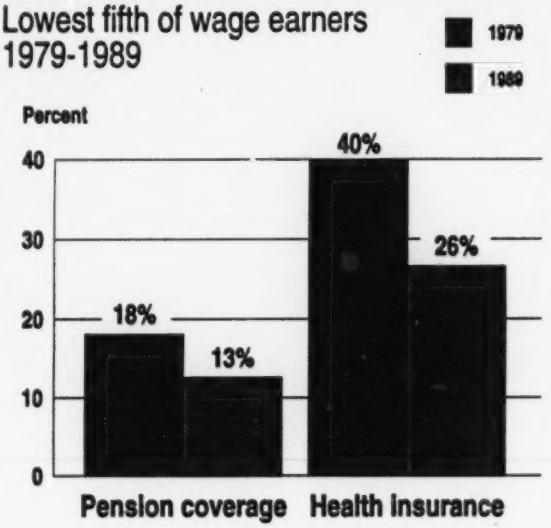
Making Work Pay

Making work pay would go a long way toward ending poverty. An estimated 22 million in pov-



Decline in private sector benefits

Lowest fifth of wage earners
1979-1989



Source: The State of Working America, 1994-1995
Table 3.15, P. 135

erty—some 56 percent of the poor—lived in households where someone worked during the year, according to the Center for Budget and Policy Priorities.

While there is no panacea of poverty or the working poor, there are a number of measures which would make a big difference.

It has always been true that a single employee is helpless in dealing with an employer and that if the employer refuses to pay him fair wages, he is nevertheless unable to leave the employer and resist arbitrary and unfair treatment. Workers need unions in order to deal on the basis of equality with employers.

Strengthening of labor laws and collective bargaining empower individuals to have a voice in the workplace and to negotiate improved wages and working conditions. This is especially important to low wage workers in the service sector and to low wage workers who often lack health insurance and pension benefits.

National policies, including trade policies, aimed at preserving high wage jobs such as in manufacturing can help. Policies that protect wage standards, such as prevailing wage requirements at the national and state levels help to maintain living standards. Union training and apprenticeship programs represent gateways for workers to better pay and higher skill jobs.

The minimum wage should be increased. The minimum wage has fallen well behind average wages. The annual income of minimum wage workers was sufficient to maintain a family of 3 at about the poverty line in 1980. The current wage of $4.25 represents annual earnings of $8,840 (assuming 52 weeks at 40 hours per week), which falls $3,350 below the estimated 1995 poverty line for a family of three.

The minimum wage would have to be raised to $5.86 per hour for a family of 3 to again reach the poverty level.

Employment and training programs can help, but they are threatened by the draconian Republican budget cuts, which will decimate domestic programs by up to 30 percent over the next seven years. Such programs are important because they help individuals qualify for better jobs and higher incomes.

Threats to safety-net programs, including Medicaid, Food Stamps, Welfare, the Earned Income Tax Credit and the like, will only worsen the situation of the poor and make it harder for people to rise from poverty.

Tax policy should be progressive so that those higher up on the income scale pay proportionally more and those at the lower income rungs less. Organized labor has supported the Earned Income Tax Credit, which has helped low income workers, but the benefits of the credit are not a total solution to the problem of the working poor. The EITC also allows employers to evade the responsibility to provide their workers with a living wage and shifts their employment costs to taxpayers generally.

Education is a traditional pathway to upward mobility. Assaults on the public sector and public education and cuts in education programs at all levels of government make it harder for citizens to get a good education and achieve a higher standard of living.

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